



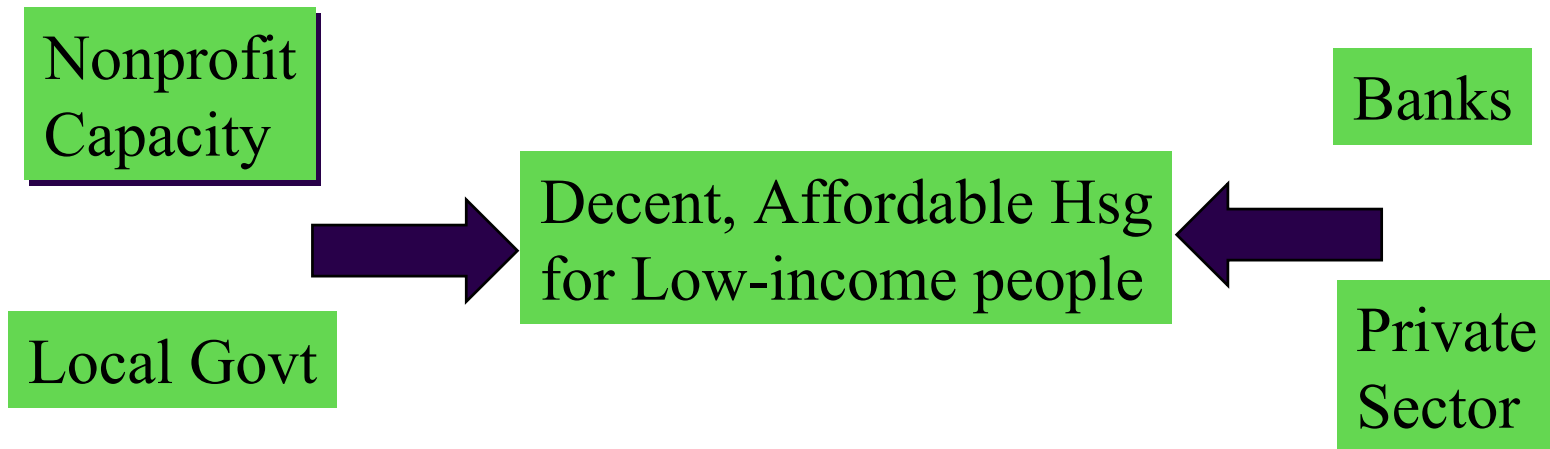
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Overview of the HOME Program

History and Goals



- National Affordable Housing Act 1990
- Objectives:

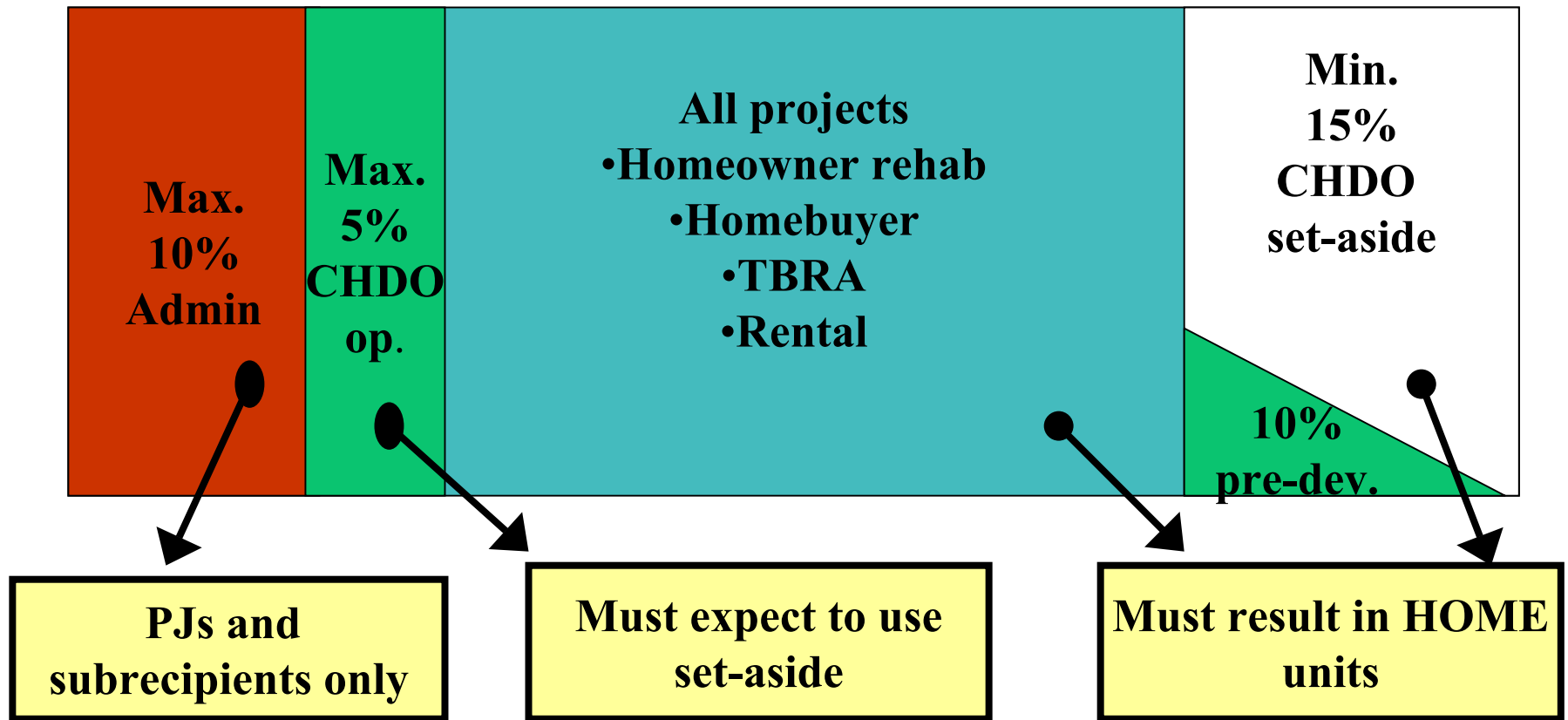


\$\$ Allocation and Expenditure



- Up to 10% for admin
- Up to 5% for CHDO operating
- At least 15% for CHDO development project activities ➡ HOME units
 - ◆ including 10% for predevelopment loans
- All the rest for other project activities ➡ HOME units

PJ Allocation



\$\$ Allocation and Expenditure

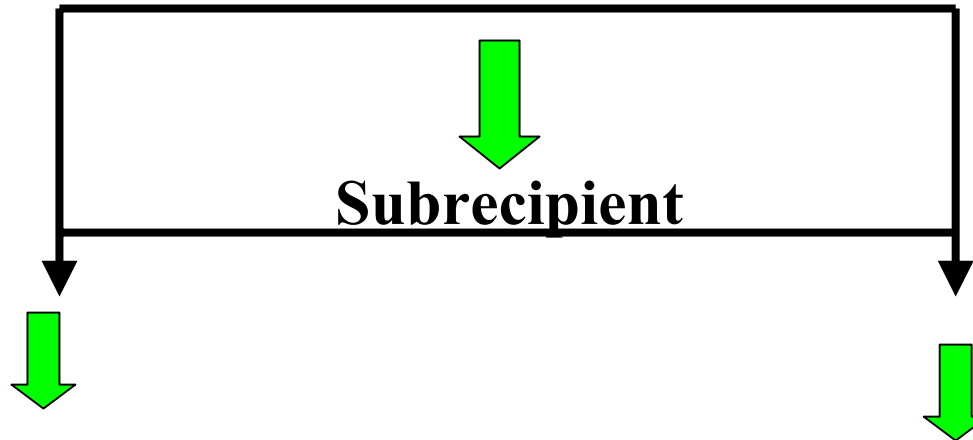


- Deadlines:
 - ◆ Commit funds within 24 months
 - ◆ Expend funds within 5 years
- Commitment means

Roles and Relationships



PJ (including consortia)



Low-income owners
Low-income buyers
Low-income tenants

Owners and Developers
•**Private for profit**
•**Private/public nonprofit**
•**CHDOs**

Who's Who: PJs



- Recipient of funds
- May be State, local or consortia
- Responsible for effective use of funds



Who's Who: Consortia

- Formed by agreement and authorizing certifications
- Ideally has unified goals and plan; develops consolidated plan
- Consortium must determine how to:
 - ◆ deliver services
 - ◆ allocate funds
 - ◆ meet match obligation
 - ◆ monitor for compliance

Consortia (II)



- Lead agency accepts responsibility for compliance with Program rules, all other applicable Federal requirements, and proper administration of Federal funds
- Responsibilities cannot be shifted to any other entity
- Subrecipients should be selected and monitored based on capacity, production and compliance criteria



Who's Who: CHDOs

- Private nonprofit
- Special legal, organizational, capacity criteria
- 15% allocation
- Act as owner, sponsor, developer

Who's Who: Subrecipient

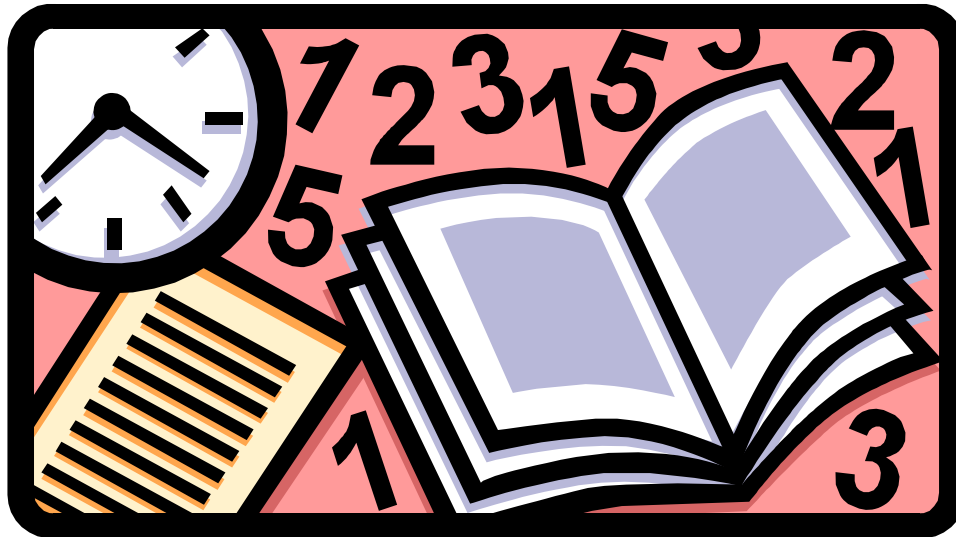


- Public agency or nonprofit administers all or portion of program
 - ◆ Developer/owner is not subrecipient
- Should have:
 - ◆ Assigned staff with capacity and expertise
 - ◆ Ability to track costs just to HOME
 - ◆ Responsiveness in production and reporting



PJ Obligations

- Match = 25%
- Monitoring, reporting, recordkeeping





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General Administrative and Financial Requirements

Admin and Financial Requirements



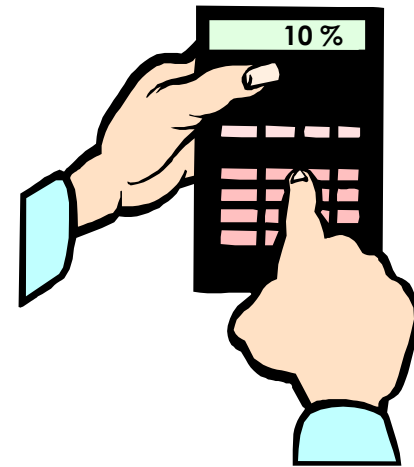
- This chapter covers:
 - ◆ Eligible admin and planning costs
 - ◆ The Consolidated Plan
 - ◆ Uniform administrative requirements
 - ◆ Written agreements
 - ◆ Conflict of interest provisions
 - ◆ Religious organizations
 - ◆ Investment trust accounts
 - ◆ Integrated Disbursement and Information System
 - ◆ Program income and other revenues



Eligible Admin and Planning Costs



- May use up to 10% of annual allocation plus 10% of program income
- Two options for calculating staff costs:
 - ◆ Entire salary/wages OR
 - ◆ A pro-rata share
- Choose one option!



Admin/Planning Costs

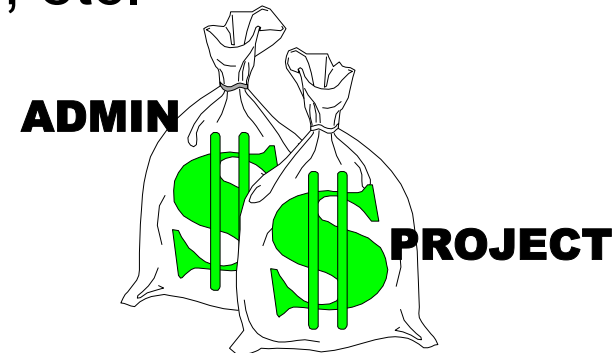


- Other eligible costs may include:
 - ◆ Services
 - ◆ Administration of TBRA
 - ◆ Public information
 - ◆ Fair Housing
 - ◆ Preparation of Consolidated Plan
 - ◆ Compliance with other federal requirements

Admin Vs. Project Costs (I)



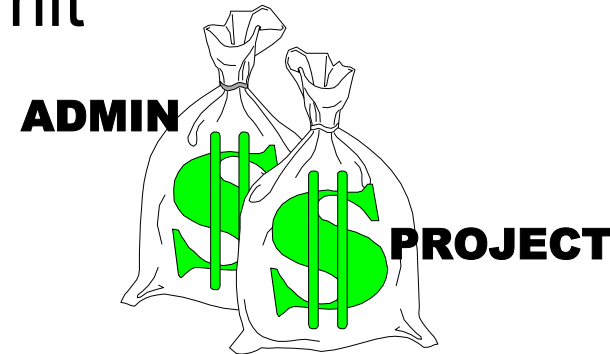
- Certain costs directly related to carrying out HOME projects may be either admin OR project costs:
 - ◆ Appraisals
 - ◆ Work specifications
 - ◆ Construction inspections and oversight
 - ◆ Underwriting
 - ◆ Relocation, environmental reviews, etc.
 - ◆ Counseling



Admin Vs. Project Costs (II)



- If costs are charged to a project:
 - ◆ Counts in maximum subsidy limit
 - ◆ Triggers 25% match
- Must be charged to admin if project does not go forward
- TBRA admin always admin cost
- Project costs incurred by property owner always project costs



The Consolidated Plan

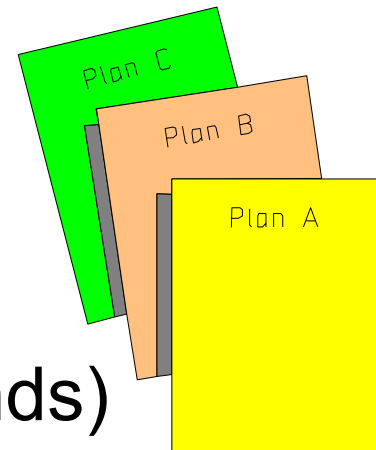


■ The Consolidated Plan

- ◆ Up to 5 year plan for use of HOME, CDBG, ESG and HOPWA
- ◆ Describes community and its needs
- ◆ Describes priorities and resources

■ Action Plan

- ◆ Annual update to Con Plan
- ◆ Application for HOME (and other funds)



Uniform Administrative Requirements



- PJs and other government entities must adhere to:
 - ◆ OMB Circular A-87 (cost principles)
 - ◆ Provisions of 24 CFR Part 85 (uniform standards)
 - ◆ 24 CFR Part 44 (audits)



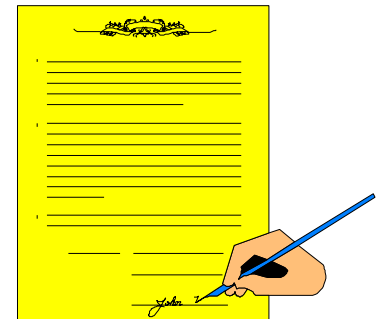
Uniform Requirements

- Subrecipients that are nonprofit organizations:
 - ◆ OMB Circular A-122 (cost principles)
 - ◆ Provisions of 24 CFR Part 84 (uniform standards)
 - ◆ 24 CFR Parts 45 (audits)
- CHDOs:
 - ◆ 24 CFR 84.21 only



Written Agreements (I)

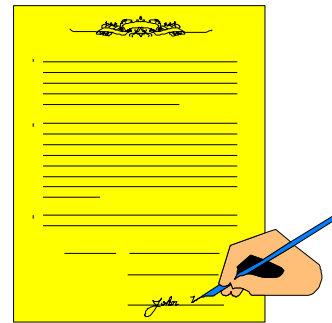
- Written agreement required prior to committing or disbursing funds
- Required contents:
 - ◆ Use of funds
 - ◆ Reversion of assets/program income
 - ◆ Uniform administrative requirements
 - ◆ Other program requirements
 - ◆ Requests for disbursements



Written Agreements (II)



- Required contents (cont.):
 - ◆ Records and reports
 - ◆ Enforcement provisions
 - ◆ Project requirements (e.g., affordability)
 - ◆ Conditions for religious organizations
 - ◆ CHDO provisions
- Other provisions may be included



Conflict of Interest

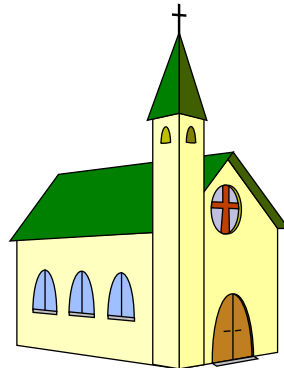


- PJs, state recipients and subrecipients must comply with:
 - ◆ 24 CFR Parts 84 and 85
 - ◆ Provisions in HOME regulations
- For owners, developers and sponsors:
 - ◆ New provision in HOME regs (92.356(f))

Religious Organization



- HOME funds may NOT be provided to religious organizations, but...
 - ◆ A secular entity may acquire housing from a religious organization
 - ◆ A religious organization may establish a secular entity
 - ◆ Housing must be available to all persons



HOME Investment Trust Accounts



- Account in U.S. Treasury holds the HOME allocation to the PJ
- Corresponding local bank account:
 - ◆ Holds all electronic draws from Treasury
 - ◆ Holds all other program funds including program income, recaptured funds, matching funds and shortfall dollars.

Integrated Disbursement and Information System (IDIS)



- Accounts for disbursements of funds
- Collects and reports program performance information
- PJ uses PC link to IDIS to:
 - ◆ Set up specific projects, reserving funds
 - ◆ Reserve funds for organizations
 - ◆ Draw down funds
 - ◆ Report project information

IDIS Tips



- Local program = IDIS “project”
- Local project = IDIS “activity”
- Recommend reporting program income at time draw is made
- Actual expenditures rarely = IDIS set-up
 - ◆ Always reconcile at end
- Match is recorded locally

What is Program Income?



- Program income is gross income received by PJ, state recipient or subrecipient directly generated by:
 - ◆ Use of HOME funds OR
 - ◆ Matching contributions



Program Income Is Not:

- CHDO proceeds
 - ◆ Must go to affordable housing activity
- Recaptured funds
 - ◆ From homebuyers; treated like program income, except no 10% for admin
- Returned funds
 - ◆ Repaid from non-eligible project or activity; must return to Treasury account

Receiving and Using Program Income



- Income recognized when received by PJ, state recipient or subrecipient; prorated if appropriate
- Income must be deposited in PJ's local HOME account ; 10% for admin OK
- State recipient/subrecipient may be authorized by PJ to retain income
- Income must be used according to HOME rules and requirements - before other funds are drawn



Pre-Award Costs

- May incur costs later of:
 - ◆ Beginning of program year;
 - ◆ Con plan received by HUD
- Capped at 25% of grant unless HUD approval



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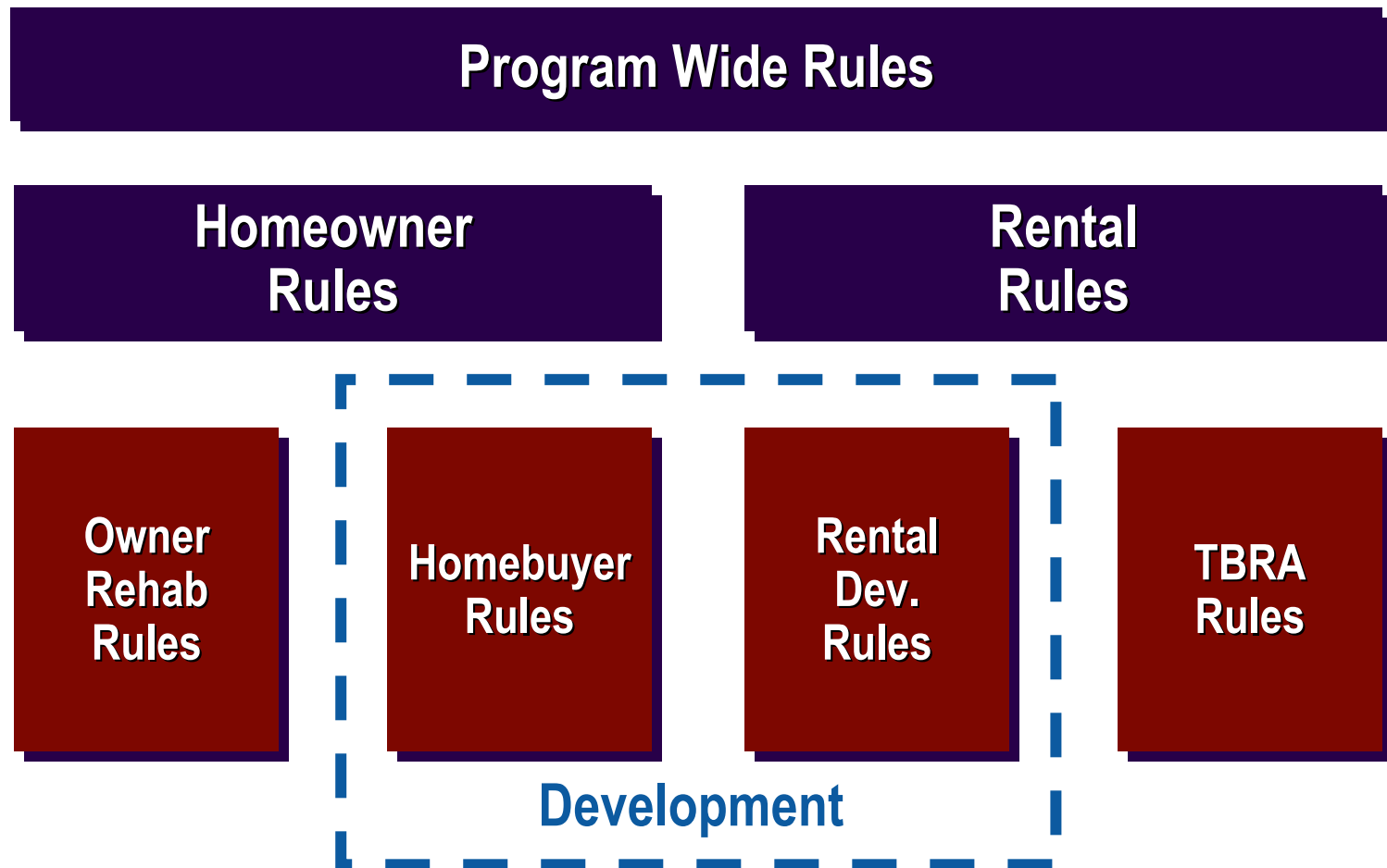
General Program Rules

Program Rules



- The HOME Program is 4 programs in 1
 - ◆ Homeowner Rehab
 - ◆ Homebuyer
 - ◆ Rental Development (New Construction or Rehab)
 - ◆ TBRA (Rental Subsidy)

Rules





Program Wide Rules

- Defining a Project
- Form and Amount of Subsidy
- Eligible and Ineligible Costs
- Condition of Property
- Maximum Income
- Concept of Affordability
- Federal Cross-Cutting Requirements



Definition of a Project

- Site(s) under common ownership, management and financing
- One or more families under one TBRA program
- Assisted with HOME funds as a single deal
- A single set up in IDIS



Form of Subsidy

■ Lots of choices

◆ Loans

- Interest or no interest
- Payments or no payments
- No payments for a while, then payments
- Forgiven over time

◆ Grants

◆ Interest Subsidies

◆ Equity Investments

◆ Loan Guarantees

Amount of Subsidy



- Minimum = \$1,000 per unit (not TBRA)
- Maximum = 221(d)(3) limit
 - ◆ Available only from HUD hub office multifamily division
 - ◆ Contact local field office for assistance

Eligible Costs



- New Construction
- Rehabilitation
 - ◆ Standard Rehab
 - ◆ Reconstruction
 - ◆ Conversion
- Acquisition
 - ◆ Vacant Land
 - ◆ Improved Land

Eligible Costs (continued)



- Site Improvements
- Demolition
- Relocation
- Refinancing
- Project Soft Costs
- Project Delivery Costs (except TBRA)

Ineligible Costs



- Reserve Accounts
- TBRA in Certain Units
- Match for Other Federal Programs (except McKinney)
- Public facilities
- Assistance to:
 - ◆ Public Housing

Ineligible Costs (continued)



- Acquisition of PJ-Owned Property
(unless acquired for a HOME project)
- Project Based Rental Assistance



Condition of Property

- HOME \$ is spent → “standard” unit
- Different definitions of “standard” for different activities
- 3 Types of Codes Apply
 - ◆ Building Codes
 - ◆ Housing Codes or Standard
 - ◆ Rehabilitation Standards



Maximum Income

- 100% of HOME \$ help people \leq 80% MFI
- Lower income guides for some activities
- Note: different than CDBG

What Counts as Income?



- 3 Definitions
 - ◆ Section 8
 - ◆ IRS Adjusted Gross Income
 - ◆ Census Long Form
- Source Documents
- Anticipated Income

HOME Model Guide: Technical Guide
for Determining Income and
Allowances for the HOME Program:
Second Edition (HUD 1780, June 1999)

Income Basics



- Anticipate income for next 12 months
- Verify -- 3rd party or review of documents
- Compare income to low income limits to determine eligibility
- Recertify annually



Part 5 Definition

- For eligibility look at gross income
- Income of all adults
- Follow list of income inclusions and exclusions
- Consider income from assets

Census Long Form



- Look at list of income inclusions and exclusions
- Assets treated differently than Part 5

IRS 1040



- Has list of income inclusions
- Also has deductions for adjusted gross income
- Assets different than under Part 5

Concept of Affordability



- Appropriate return on federal investment
- Amount of HOME \$ establishes time period
 - ◆ Big HOME investment = long period of time
 - ◆ Small HOME investment = short period
- Period of Affordability =
Period of Compliance

Affordability / Compliance



HOME \$ Per Unit	Length of Affordability / Compliance
Less than \$15,000	5 years
\$15,000 - \$40,000	10 years
More than \$40,000	15 years
Refinancing Rental Hsg.	15 years
Rental New Construction	20 years

Additional Funding for Projects Affordability/Compliance Period



PERIOD



Federal Cross-Cutting Regs

- HOME Reg lists other regs that apply
- Refer to other regs for applicability
- List includes regs about:
 - ◆ Non-Discrimination and Equal Access
 - ◆ Employment and Contracting
 - ◆ Environmental
 - ◆ Lead Based Paint
 - ◆ Relocation



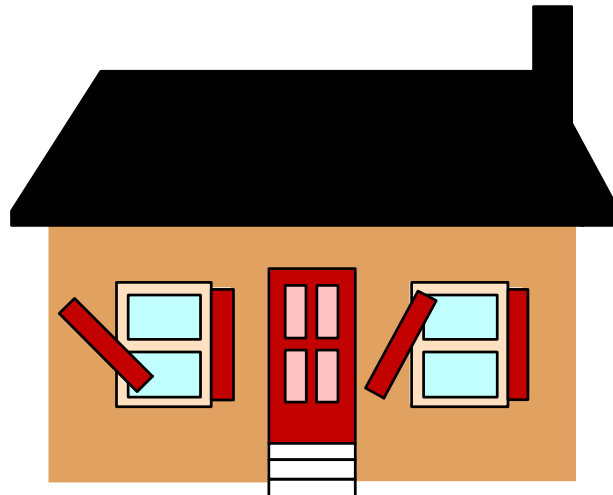
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Homeowner Rehabilitation Activities

Homeowner Rehabilitation



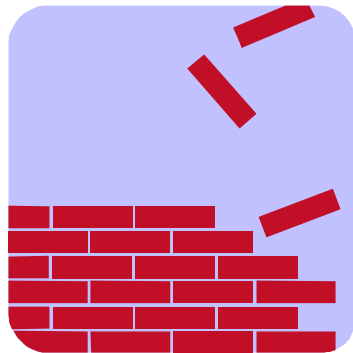
- This chapter covers:
 - ◆ Eligible activities and forms of assistance
 - ◆ Property types and eligible households
 - ◆ Program design issues



Eligible Activities



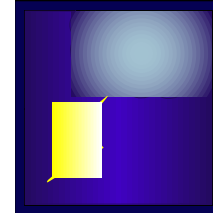
- Assist eligible owner-occupants with:
 - ◆ Repairs
 - ◆ Rehabilitation
 - ◆ Reconstruction



Special Purpose Homeowner Repairs



- These programs are ineligible IF the property does not meet minimum property standards upon completion:
 - ◆ Weatherization
 - ◆ Emergency repair
 - ◆ Handicapped accessibility



Forms of Assistance



■ Most common:

- ◆ Grants
- ◆ Deferred payment loans
- ◆ Interest or non-interest bearing loans



■ Can also use:

- ◆ Loan guarantees
- ◆ Interest subsidies
- ◆ Other forms approved by HUD

Eligible Costs (I)



- Hard Costs
 - ◆ Actual rehab
 - ◆ Accessibility improvements
 - ◆ Utility connections
- Soft Costs
- Relocation Costs



Eligible Costs (II)



- Refinancing existing debt is eligible if:
 - ◆ Housing is owner-occupied
 - ◆ HOME funds are ***loaned*** for rehab
 - ◆ It reduces costs to borrower and housing is made more affordable
- Consider:
 - ◆ Needs of the household
 - ◆ Impact on your HOME budget



CHDO & Nonprofit Roles

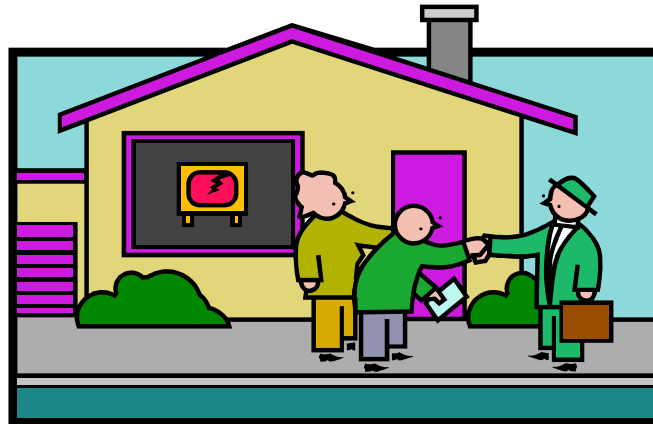


- Homeowner rehab is NOT an eligible CHDO set-aside activity
- Nonprofits may act as:
 - ◆ Subrecipient
 - ◆ Administrator
 - ◆ Community advocate/advisory group
 - ◆ Counselor to owners

Eligible Property Types



- To be eligible, housing must be:
 - ◆ Occupied by income-eligible homeowner
 - ◆ The owner's principle residence



Eligible Property Types



- Types of eligible housing:
 - ◆ Single-family housing
 - ◆ Condo unit
 - ◆ Coop or mutual housing unit if recognized by state law
 - ◆ Manufactured home



Maximum Property Value

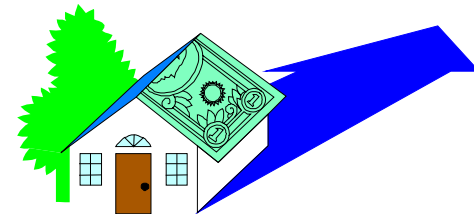


- Value after rehabilitation must not exceed 95% of median purchase price for the area
- Determining the 95% of median value:
 - ◆ Use mortgage limits established by HUD for the 203(b) program OR
 - ◆ Perform local market survey

Property Value



- Individual property value must be determined prior to performing any work
- Establish after-rehab value using:
 - ◆ Appraisal including added value of rehabilitation
 - ◆ Unofficial estimate
 - ◆ Tax assessment if based on market value of comparable unit to post rehab



Property Standards (I)



- PJs must have written rehab standards
- All rehab projects must meet written standards **and** state/local codes
- Or, if no local code exists:
 - ◆ Uniform Building Code, National Building Code or Standard Building Code OR
 - ◆ CABO One to Two Family Code OR
 - ◆ FHA Minimum Property Standards



Property Standards (II)



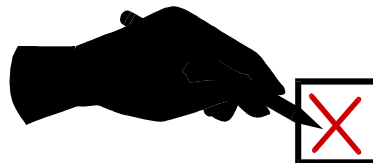
- Cost Effective Energy Conservation and Effectiveness Standards no longer apply
- Permanent utility hook-ups or permanent foundations for manufactured housing not required



Applicant Eligibility



- Homeowners must:
 - ◆ Be low-income
 - ◆ Occupy the property as their principle residence
- PJs may choose one of the three definitions of income



Determining Income



- Use one of three definitions
 - ◆ Annual (gross) income under Part 5
 - ◆ Census long form
 - ◆ IRS Form 1040 adjusted gross income
- Document the income
- Complete before assistance





Definition of Ownership

- Fee simple title
- 99-year leasehold interest
- Ownership in a condominium
- Ownership/membership in a coop or mutual housing project (if recognized by state law)
- Other HUD-approved form

Long-Term Affordability



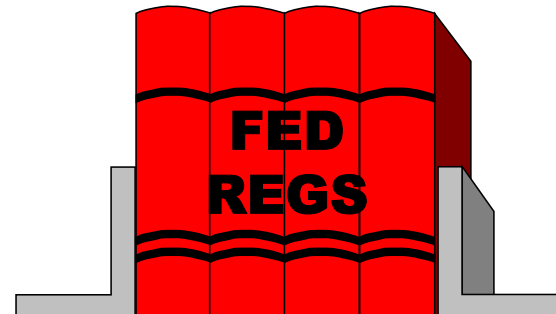
- No long-term affordability or occupancy requirements





Other Federal Requirements

- Other federal requirements that may apply:
 - ◆ Employment/contracting
 - ◆ Environmental reviews
 - ◆ Flood insurance
 - ◆ Lead-based paint
 - ◆ Relocation





Program Design Issues

- PJ objectives
- Type and level of assistance
- Selecting applicants
- Staffing/running your program



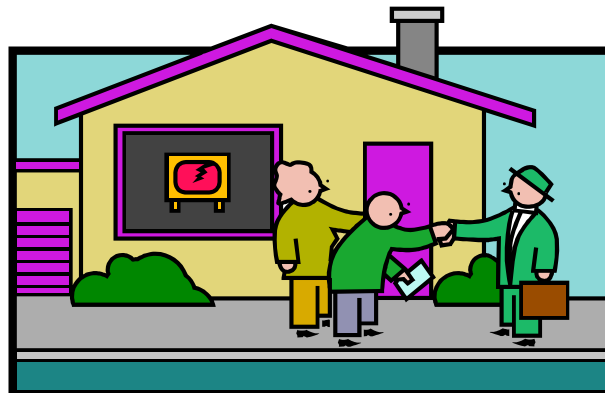
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Homebuyer Activities

Homebuyer Activities



- This chapter covers:
 - ◆ Eligible activities and forms of assistance
 - ◆ Eligible applicants and properties
 - ◆ Long-term affordability
 - ◆ Program design/implementation issues



Eligible Activities



- HOME can be used for:
 - ◆ Acquisition
 - ◆ Acquisition/rehabilitation
 - ◆ New construction
 - ◆ Lease-purchase if conveyed within:
 - 36 months of signing OR
 - 42 months of project completion



Eligible Activities



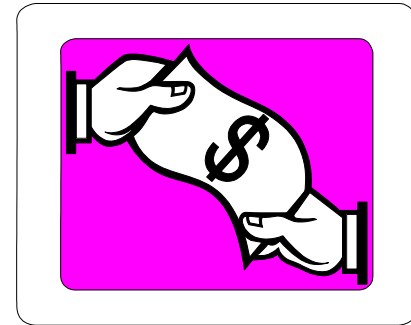
- Conversion of HOME rental units to homeowner units
 - ◆ If additional HOME funds → set affordability period by amount of direct assistance
 - ◆ If no additional funds → minimum affordability of original rental units



Forms of Assistance



- PJs generally use:
 - ◆ Grants
 - ◆ Deferred payment loans
 - ◆ Below-market rate loans
 - ◆ Loan guarantees

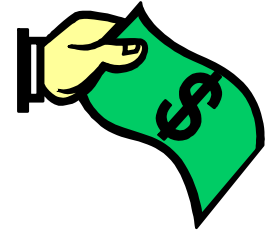


Forms of Assistance



■ HOME can be used for:

- ◆ Financial assistance
- ◆ Development/construction assistance
- ◆ Both



■ Financial assistance includes:

- ◆ Downpayment/closing costs
- ◆ Gap financing
- ◆ Guarantees



Eligible Costs



- Hard costs:
 - ◆ Acquisition
 - ◆ Site preparation or demolition
 - ◆ Construction
- Soft costs:
 - ◆ Fees and appraisals
 - ◆ Homebuyer counseling
- Relocation Costs





Nonprofit & CHDO Roles

- Nonprofits can:
 - ◆ Manage a homebuyer program as a subrecipient
 - ◆ Play a limited administrative role
 - ◆ Provide counseling
- CHDOs serve as developer or sponsor of a project

Eligible Properties



- Eligible property types:
 - ◆ Single-family home
 - ◆ Two-to-four unit property
 - ◆ Condominium unit
 - ◆ Coop or mutual housing unit (if recognized as ownership by state)
 - ◆ Manufactured home

Maximum Property Value



- If acquisition only,
 - ◆ **Sales price** cannot exceed 95% of the median area purchase price
- If acquisition and rehab,
 - ◆ **After-rehab value** cannot exceed 95% of the median area purchase price
- 95% limit may be established by PJ or use HUD limits

Property Standards - Acquisition



- If acquisition only,
 - ◆ state/local housing standards and codes
 - ◆ If no state/local standards, then Section 8 HQS
 - ◆ House must be inspected
 - ◆ Must meet standards at time of occupancy



Property Standards - Acquisition and Rehab



- If acquisition and rehab
 - ◆ Written rehab standards, and
 - ◆ State/local code/standards
 - ◆ If no state/local code, meet a national code



Property Standards - Acquisition and Rehab



- Acquisition and rehab (cont.):
 - ◆ Inspect prior to occupancy
 - ◆ No health and safety defects
 - before occupancy, and
 - no later than 6 months after transfer
 - ◆ Meet applicable codes
 - at project completion, and
 - within 2 years of transfer



Property Standards - New Construction



- If new construction
 - ◆ State/local code and standards
 - ◆ If no state/local code, meet a national code
 - ◆ Also meet Model Energy Code



The Applicant



- Low-income
- Property will be principal residence
- Income eligibility determined
 - ◆ At purchase for existing housing
 - ◆ At contract signature for new construction
 - ◆ At signing of lease-purchase agreement

Income Eligibility

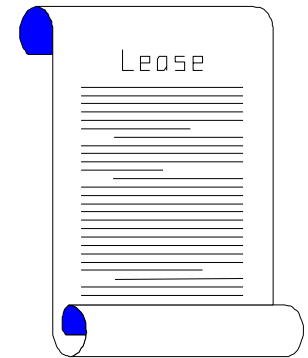


- To verify income:
 - ◆ Use one of the three income definitions
 - ◆ Review source documents
 - ◆ Project income for next 12 months
- Income verification good for six months

Forms of Ownership



- Types of ownership allowed:
 - ◆ Fee-simple ownership
 - ◆ 99-year leasehold
 - ◆ Condo ownership
 - ◆ Coop or mutual housing ownership/membership, if recognized by state law
 - ◆ Other forms must be HUD-approved

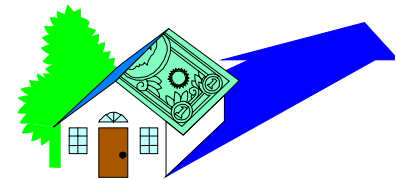


Long-Term Affordability



HOME \$	Affordability Pd.
< \$15,000	5 yrs.
\$15,000 - 40,000	10 yrs.
Over \$40,000	15 yrs.

- No requirements that:
 - ◆ PITI be affordable at purchase OR
 - ◆ PITI remain affordable over time



Recapture/Resale



- Compliance during the period of affordability:
 - ◆ Recapture
 - ◆ Resale



Recapture Provisions

- Recapture most like a conventional loan
- Buyer pays-back direct subsidy
 - ◆ Direct subsidy is
 - assistance that reduced purchase price from fair market value, and
 - direct assistance to the homebuyer (e.g., downpayment or closing cost assistance)
 - ◆ May sell to any willing buyer



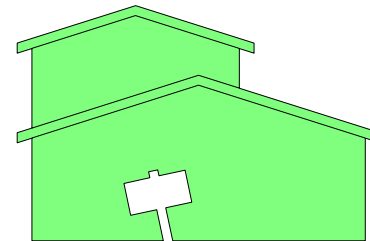
Recapture Provisions

- Recapture all or part of subsidy
 - ◆ May forgive portion
 - ◆ May share net proceeds
- Development subsidies NOT subject to recapture
 - ◆ If development subsidy only, must use resale provisions
- When no \$ subject to recapture must use resale provision
 - ◆ If development subsidy only

Resale Provisions



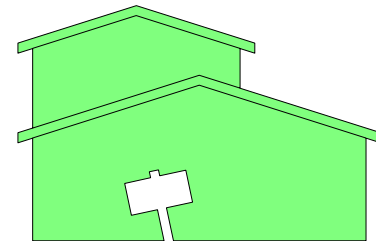
- With resale, when home is sold:
 - ◆ House must be affordable to new buyer
 - ◆ New buyer must be low income
 - ◆ New buyer must occupy house as principal residence
 - ◆ Original buyer must receive a “fair return”
 - ◆ Remaining resale restrictions apply to new buyer



Resale Provisions



- Presumption of affordability allowed
 - ◆ Concept
 - Homes are of modest value and will stay so
 - Homes are affordable to low-income buyers using conventional financing
 - ◆ Define neighborhood
 - ◆ Document with market analysis that is updated periodically

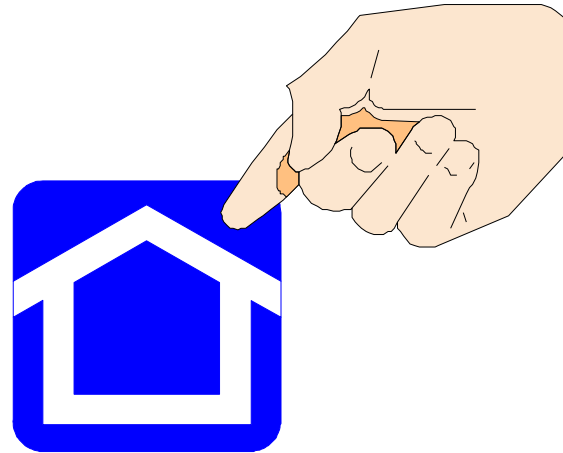


Enforcement



■ Enforce recapture/resale requirements with:

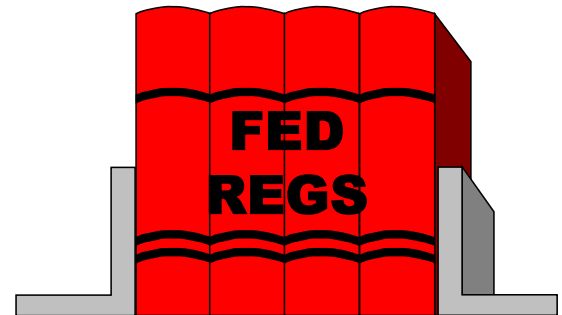
- ◆ Deed restriction
- ◆ Covenant
- ◆ Lien
- ◆ Others





Other Federal Requirements

- Other federal requirements may apply:
 - ◆ Fair Housing and equal opportunity
 - ◆ Affirmative marketing
 - ◆ Davis-Bacon labor standards
 - ◆ Flood insurance
 - ◆ Relocation
 - ◆ Lead-based paint



Program Design and Implementation



- Working with Private Lenders
- Selecting Resale or Recapture



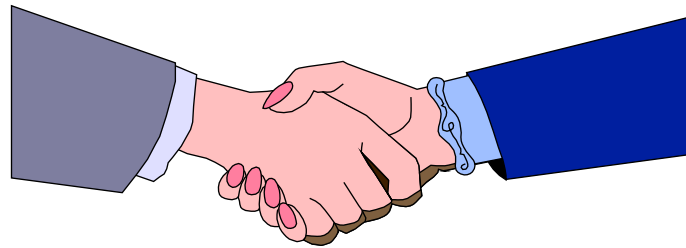
Working with Lenders

- Key Program Design Issues:
 - ◆ Identify the market
 - ◆ Keep program simple/easy to administer
 - ◆ Centralize key functions
 - ◆ Establish realistic goals
 - ◆ Decide type of relationship needed with lender

Relationships with Lenders



- Key areas of negotiation:
 - ◆ Loan origination and processing
 - ◆ Type of loans and terms
 - ◆ Volume and fees





Recapture or Resale?

■ Recapture:

- ◆ Allows maximum flexibility to PJ and owner
 - Resale at any price
 - Allows program income; PJ decides how much
 - Easier to administer
- ◆ Lenders prefer
- ◆ Cannot be used when:
 - No direct assistance
 - No assistance to be recaptured



Recapture or Resale?

■ Resale:

- ◆ Maintains affordable housing stock
- ◆ Best for appreciating neighborhoods
- ◆ Complicated for buyers
- ◆ More complex to administer

■ Presumption of affordability:

- ◆ Simplifies resale
- ◆ Must complete and update market analysis



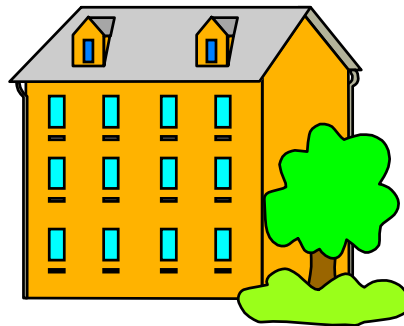
BUILDING HOME

Rental Housing Activities

Rental Housing



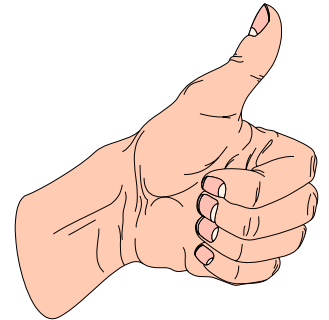
- This chapter covers:
 - ◆ Eligible activities and forms of assistance
 - ◆ Eligible beneficiaries and properties



Eligible Activities



- HOME funds may be used for:
 - ◆ Acquisition
 - ◆ Rehabilitation
 - ◆ New construction
- Developers or owners can be:
 - ◆ PJs
 - ◆ For-profits or nonprofits (incl. CHDOs)
 - ◆ Private property owners
 - ◆ PHAs





Forms of Assistance

- HOME allows grants, loans and other forms of assistance
- Common forms of assistance with rental housing:
 - ◆ Predevelopment loans and grants
 - ◆ Construction loans
 - ◆ Permanent mortgage loans
 - ◆ Bridge loans
 - ◆ Credit enhancements



Operating Deficit Reserves



- Initial operating deficit reserve in new construction AND rehab projects allowed
 - ◆ Reserve cannot exceed 18 months
- Reserve can be used only for:
 - ◆ Project operating expenses
 - ◆ Scheduled payments to replacement reserves
 - ◆ Debt service

What is a Project?



- A project is 1 or more buildings on a site or sites under common ownership, management and financing
- Sites do NOT have to be within a 4-block area
- Project includes ALL activities associated with the site or building

Maximum HOME Investment



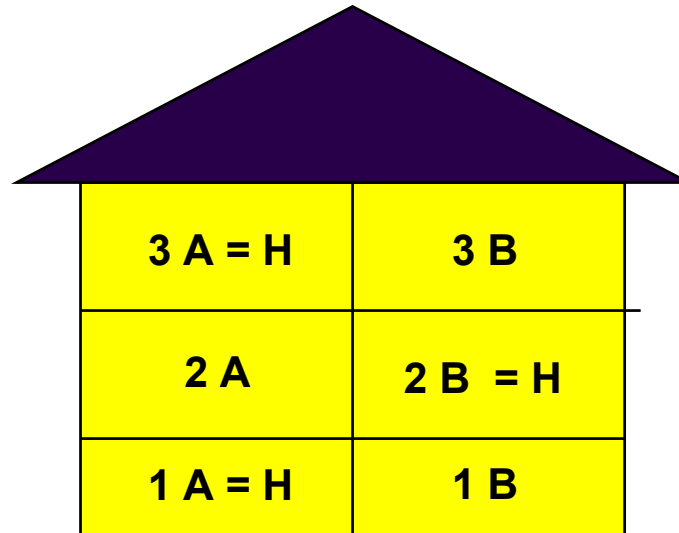
- HOME maximum per unit subsidy limit applies
- The amount of actual subsidy per unit will depend upon:
 - ◆ Proportion of total project cost that is HOME-eligible
 - ◆ How many units are HOME-assisted units AND
 - ◆ The financial needs of the project

Determining HOME-Assisted Units



- Only units receiving HOME \$ are subject to HOME requirements
- Number of HOME units must be specified at project commitment
 - ◆ For properties with HOME and non-HOME units, must select “fixed” or “floating” HOME units

Fixed & Floating Units



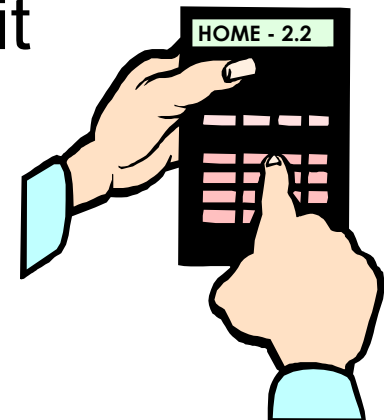
$3 A = H$	$3 B$
$2 A$	$2 B = H$
$1 A = H$	$1 B$

- Fixed = 1A, 2B, 3A always HOME units
- Floating = unit numbers change but always have 3 HOME units

Allocation Costs



- Determine total HOME eligible costs
- For projects with HOME and non-HOME units, allocate costs across units
 - ◆ If HOME and non-HOME units are *comparable*, costs can be pro-rated
 - ◆ If units are not comparable, actual costs must be determined unit-by-unit



Roles of Nonprofit and CHDO

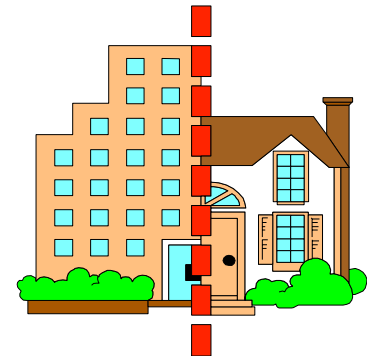


- Nonprofits may be:
 - ◆ Developers, owners and sponsors
 - ◆ Property managers
 - ◆ Program administrators (as subrecipients)
- CHDO as owner, developer or sponsor counts towards CHDO set-aside

Eligible Properties



- No requirements on type or style of property
- Eligible types include:
 - ◆ Transitional and permanent housing
 - ◆ SROs and group homes
 - ◆ ECHO units



Ineligible Properties



- Property previously assisted with HOME during its affordability period
- Public housing financed under the 1937 Act



Property Standards



- Acquisition only:
 - ◆ State/local code
 - ◆ If no state/local code applies, Section 8 HQS
- Rehabilitation:
 - ◆ PJ's written rehab standards AND applicable state/local code
 - ◆ If no state/local code applies, one of the national model codes



Property Standards



- New construction:
 - ◆ State/local code OR
 - ◆ If no state/local code, one of the national model codes
 - ◆ Model Energy Code



Other Standards



- Handicapped accessibility (Section 504) requirements may apply
- Site and Neighborhood Standards apply to new construction of rental housing
- Fair Housing applies to all new construction



Long-Term Affordability

- Acquisition or acquisition and rehab activities:

Per Unit HOME \$	Min. Affordability Period
<\$15,000	5 years
\$15,000 - \$40,000	10 years
>\$40,000	15 years
New Construction/ Acquisition	20 years
Refinancing of Rehab	15 years

Rent and Occupancy Requirements

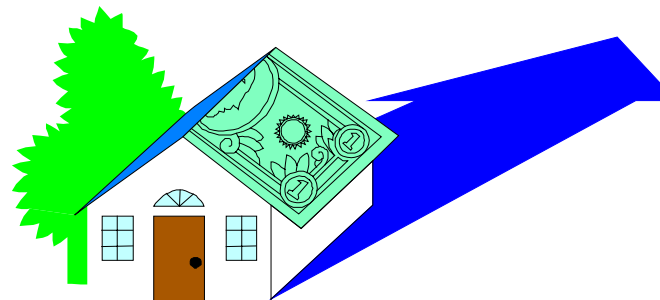


- Must be legally enforced for the term of the affordability period through:
 - ◆ Covenants
 - ◆ Deed restrictions
 - ◆ Others approved by HUD
- May only be terminated upon transfer by deed or lieu of foreclosure – PJ must repay funds for units no longer affordable

HOME Rents



- High HOME and low HOME rents
 - ◆ Published by HUD
 - ◆ Tenants given notice of increases
- Adjust rents for tenant-paid utilities





The Program Rule

- 90% Of households assisted with HOME rental and TBRA must have incomes at/below 60% of MFI
 - ◆ Applies when funds are spent -- initial occupancy
 - ◆ NOT project-specific
 - ◆ Balance of units may be at/below 80% of MFI

The Project Rule



- Projects with 5 or more units must have at least 20% of units occupied by families at/below 50% of MFI
 - ◆ Rents must be at Low HOME rent level
 - ◆ Balance of units may be at/below 80% of median at high HOME rent level

To Meet Program Rule Initial Occupancy Rule



- ALL \leq 60% median (High HOME Rent)
- Projects \geq 5 units
 - ◆ 20% \leq 50% median (low HOME Rent)
- Exceptions up to 80% median for in-place tenants

Initial Income Eligibility



- To determine eligibility, use 1 of 3 income definitions:
 - ◆ Part 5 (gross) income
 - ◆ Adjusted gross income defined by IRS for IRS Form 1040
 - ◆ Annual income as reported on Census long form
- Source documentation must be obtained and verified

Annual Income Re-examinations

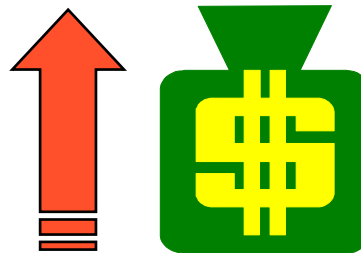


- Annually, tenant income must be re-examined
 - ◆ Review source docs OR (at PJ discretion)
 - ◆ Get written statement and certification from the family OR
 - ◆ Get written statement from another means-tested government program
- At least every 6th year, source docs **MUST** be reviewed

Increases in Tenant Income



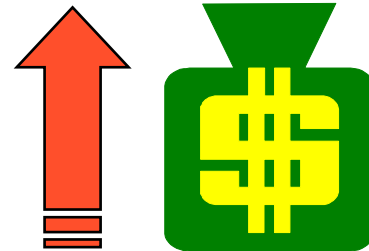
- If the income of a tenant in Low HOME Rent unit increases up to 80% of MFI:
 - ◆ May increase rent to High HOME rent level
 - ◆ Must rent the next HOME-assisted unit (fixed projects) or next available unit (floating projects) at Low HOME rent



Increases in Tenant Income



- If income of a tenant in a HOME unit exceeds 80% of MFI...
 - ◆ Tenant may remain in HOME-assisted unit BUT
 - ◆ Tenant must pay rent equal to 30% of *adjusted* monthly income (HOME fixed units)
- Projects with HOME and LIHTCs are exempted from this requirement



Increases in Tenant Income in “Floating” Unit Projects



- Exception for tenants whose income increases above 80% MFI in “floating” HOME units -- rent cannot exceed comparable market rent
- In “floating” unit projects, next available unit must be rented to HOME-eligible tenant

Monitoring and Inspections



- PJs must verify compliance with HOME requirements each year
- On-site property inspections are required:
 - ◆ Every 3 years for projects with 1-4 units
 - ◆ Every 2 years for projects with 5-25 units
 - ◆ Each year for projects with 26 or more units





Layering Review

- PJs must evaluate projects to ensure that only amount of HOME funds necessary is invested
- PJ must have written layering guidelines
- Each project file must contain the subsidy layering review
- PJs may use layering reviews done by HUD or State agencies



Layering Review

- If PJ's conduct their own reviews, need to analyze:
 - ◆ Sources and uses of funds
 - ◆ Certification of government assistance
 - ◆ Project development budget
 - ◆ Proforma
- Determine per-unit costs

LIHTC Basics



- Important source of equity
 - ◆ Dollar for dollar tax credit for 10 years
 - ◆ Developer serves as general partner
 - ◆ Investors purchase credits and participate as limited partners

LIHTC Basics



■ Eligible Use

- ◆ New construction
- ◆ Rehabilitation
- ◆ Acquisition of existing housing for conversion of affordable units

LIHTC Affordability Requirements



- Rents are similar to HOME-- based on median income and unit size, utility costs included in rents.
- Occupancy thresholds:
 - ◆ **At least 20% of units occupied by < 50% of median; or**
 - ◆ **At least 40% of units occupied by < 60% of median**
- 30 year affordability period (15 year compliance period and 15 year extended use)



Calculating the LIHTC

- Eligible Basis (excludes land cost) x Applicable Fraction (units or floor space) x 130% (QCT/DDA if applicable) = *Qualified Basis*
- Qualified Basis x Tax Credit Rate (4% or 9%) x 10 years = *Total Value of Credit*
- Total Value of Credit x Syndicator's Price (e.g., 77 cents per dollar of credit) = *Equity Available*



HOME and LIHTCs

- Rents cannot exceed either program's limits
- Income eligibility:
 - ◆ Use Part 5 (Section 8) Annual Income
 - ◆ Must review source documents
- LIHTC typically requires review of source documents for income reexaminations
- Separate LIHTC and HOME monitoring

Combining HOME and LIHTC



- HOME funds as market rate loan (9% credit)
- HOME funds as below market loan with 9% credit
- HOME funds as below market loan with 4% credit
- HOME funds as grant

Combining HOME & LIHTC



- Occupancy requirements depend upon
 - ◆ Type of credit taken
 - ◆ Type of HOME funding provided (below-market or market rate)
- If taking the 9% credit and using a BMIR loan, higher occupancy standard applies

Overlapping HOME/LIHTC Rules



- Occupancy Requirements
- Rent Requirements
- Establishing Tenant Eligibility
- Reexaminations of Income
- Over Income Tenants
- Monitoring



Refinancing Guidelines

- Refinancing only allowed when necessary to permit or continue affordability
- Refinancing cannot be primary purpose of HOME investment



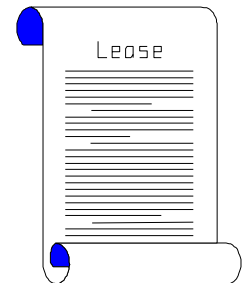
Refinancing Guidelines

- PJ must establish minimum refinancing guidelines and include in Consolidated Plan
- Guidelines must:
 - ◆ Demonstrate rehab is primary activity
 - ◆ Require a review of management to ensure no disinvestment in the property and future needs of project are being met

Home Lease Terms



- Leases must be for at least 1 year, unless agreed upon by owner and tenant
- Leases may not contain certain provisions
- Owner may terminate tenancy with 30 days notice under certain conditions
- Owners **MUST** adopt written tenant selection policies and criteria





BUILDING HOME

Tenant-Based Rental Assistance

Tenant-Based Assistance



- This chapter covers:
 - ◆ Eligible TBRA households and units
 - ◆ Eligible forms of assistance under HOME
 - ◆ Options for establishing TBRA program
 - ◆ Key issues for design and administration of a TBRA program

What is TBRA?



- TBRA is a rental subsidy that PJs can use to help individual households afford housing costs

- ◆ Rent
- ◆ Utility costs
- ◆ Security deposits
- ◆ Utility deposits



Other Rental Assistance Programs



- Most common type is the Section 8 Voucher program
- Other TBRA programs help tenants pay for costs associated with their rental housing

Rental Projects Vs. TBRA



- There are several key differences between traditional rental housing and TBRA
 - ◆ Families choose the unit
 - ◆ TBRA assistance is portable
 - ◆ Level of subsidy based on income of household and/or rent of the unit the household selects

Why Create a TBRA Program?

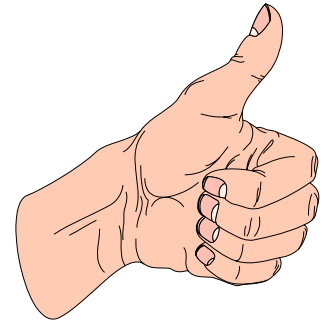


- Choice and mobility for households
- PJ flexibility in meeting fluctuating demands for housing
- Cost-effectiveness
- No long-term financial obligation
- May be used to help with relocation

Program Design Options



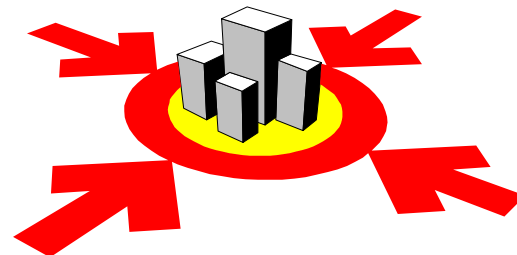
- General community-wide program
- Self-sufficiency program
- Homebuyer program
- Security deposit program
- Targeted populations program
- Anti-displacement program
- Security deposit program



Targeted Population Programs



- PJs may give preference to individuals with special needs
 - ◆ Must be an un-met need in PJs' Con Plan
 - ◆ Preference must address the need
 - ◆ PJs cannot discriminate on any basis prohibited by Fair Housing laws



Ineligible Activities



- Assisting a resident owner of a cooperative or mutual housing unit
 - ◆ Unless these units are considered rental housing units under state law
 - ◆ A tenant who rents from an owner of a cooperative or mutual housing unit may receive TBRA



Ineligible Activities



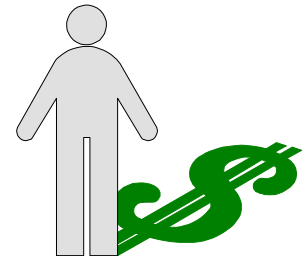
- Preventing displacement of tenants from projects assisted with Rental Rehabilitation funds
- Providing funds to homeless persons for overnight or temporary shelter
- Duplicating existing rental assistance programs that already reduce rent payment to 30% of a tenant's income



Eligible Applicant



- Tenants must be low-income
 - ◆ Prior to signing contract
- Program rule must be met...
 - ◆ For each funding allocation, 90% of households in HOME rental units and receiving TBRA must have incomes at/below 60% of MFI



Tenant Selection Requirements



- Written policy
 - ◆ Select households
 - Income
 - Preference
- Two options:
 - ◆ Select households from PHA Section 8 waiting list OR
 - ◆ Establish its own waiting list



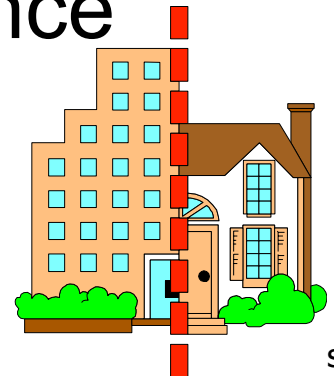
Local Preferences

- With suspension of federal preferences, PJ may design program with local preferences
 - ◆ Residency requirements
 - ◆ Targeted programs

Eligible Units



- Units may be publicly- or privately-owned
- Units may not receive another form of rental subsidy
- Units must have a “reasonable rent”
- Units may have been developed or rehabilitated with HOME assistance



Portability



- PJs may permit portability of assistance
 - ◆ Within the PJ
 - ◆ Outside of the PJ

Property and Occupancy Standards



- Property must meet Section 8 HQS
- PJ must develop occupancy standards
 - ◆ Section 8 HQS OR
 - ◆ Higher local standards
- Assure compliance with Lead-Based Paint Title X Regulations
- At Occupancy and Annually.





Lead-Based Paint

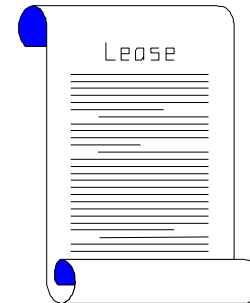
■ Title X

- ◆ Units built before 1978 with at least one child less than 6 years old
- ◆ Notification
- ◆ Reduction
- ◆ Clearance
- ◆ Environmental Intervention Blood Lead Level



Lease Requirements

- Owners' lease must not contain prohibited lease provisions
- Term between tenant and owner must be for at least one year, unless mutually agreed upon
- PJ must establish termination/non-renewal standards





Amount of Subsidy

- Maximum TBRA Payment
 - \$XXX (jurisdiction-wide rent limit)
 - \$XXX (30% of adjusted monthly income)
 - \$XXX maximum subsidy
- Minimum Tenant Payment
 - ◆ Established dollar amount OR
 - ◆ Percentage of income
- Subsidy contracts cannot exceed two years

Who will Administer the Program?



- PJs can:
 - ◆ Administer directly
 - ◆ Contract with PHA
 - ◆ Contract with other agencies



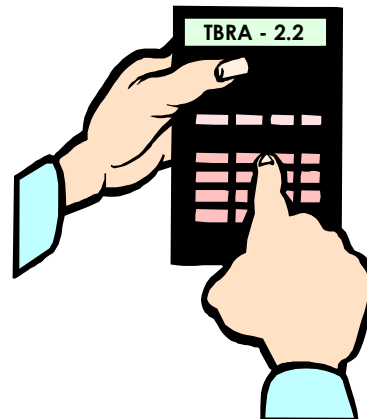
Type of Program

- Section 8 Model
 - ◆ Successful track record
 - ◆ Can be more efficient
 - ◆ Payments go directly to landlord
- New Program
 - ◆ May administer a security deposit only program
 - ◆ Payments may go directly to tenant

Calculating Rental Subsidy



- Factors affecting PJ's payment:
 - ◆ Family's income
 - ◆ Payment standard for each bedroom size
AND
 - ◆ Cost of housing and utilities
- Subsidy also depends on type of TBRA program





Payment Standard

- HUD Established Payment Standard
- PJ Established Payment Standard
- Unit Specific Exception

Section 8 Voucher Model



- Assumes fixed PJ payment:
\$XXX (approved rent for unit)
-\$XXX (maximum PJ subsidy)
\$XXX (tenant portion)
- PJ generally pays difference between its payment standard and 30% of tenant's adjusted income

On-going Responsibility



- Occupancy Requirements
 - ◆ Inspections
 - ◆ Occupancy Units
- Rent increases
- Recertifications

Utility Allowances



- PJ must set utility allowance schedule
 - ◆ Estimate the average cost of utilities for typical types of housing and various utilities and fuel sources
 - ◆ Include water/sewer, electric, gas and trash
 - ◆ Telephone and cable T.V. NOT included





Processing Applications

- Key steps:
 - ◆ Application intake and waiting lists
 - ◆ Eligibility determinations
 - ◆ Coupon issuance
 - ◆ Request for unit approval
 - ◆ Lease execution and project set-up

Anti-Displacement and Relocation Activities



- For displacement,
 - ◆ If post-rehab gross rent exceeds TTP, tenant is “rent-burdened”
 - ◆ HOME TBRA or Section 8 assistance may be provided
- For relocation assistance,
 - ◆ HOME TBRA may be alternative for URA replacement housing payment
 - ◆ Length of assistance subject to relocation requirements



BUILDING HOME

CHDO Requirements and Activities



- This chapter covers:
 - ◆ The set-aside requirement
 - ◆ CHDO Qualifying criteria
 - ◆ Uses of HOME funds and roles for CHDOs
 - ◆ Selecting CHDOs
 - ◆ Building eligibility and capacity
 - ◆ Establishing long-term relationships



CHDO Set-Aside



- The equivalent of at least 15% of each allocation must go to housing owned/developed/ sponsored by CHDOs
- PJs have 24 months to reserve Funds for CHDOs



CHDO Qualifying Criteria

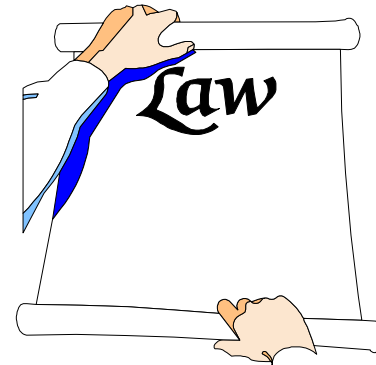
- CHDOs must meet requirements pertaining to their:
 - ◆ Legal status
 - ◆ Organizational structure
 - ◆ Capacity and experience



Legal Status



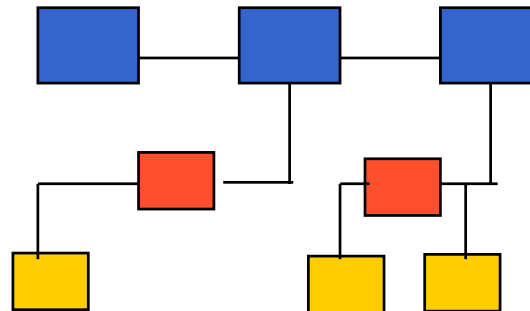
- To be eligible, organization must:
 - ◆ Be organized under state and local law
 - ◆ Have as its purpose to provide decent and affordable housing to low/mod income persons
 - ◆ Provide no individual benefit
 - ◆ Have a clearly defined service area
 - ◆ Have an IRS non-profit status



Organizational Structure



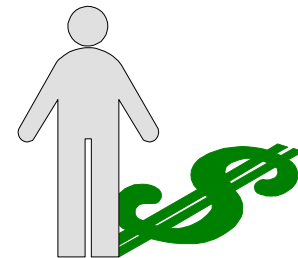
- CHDO board must have:
 - ◆ At least 1/3 reps of low-income community
 - ◆ No more than 1/3 reps of public sector
- Balance is unrestricted except when sponsored/organized by a for-profit



Low-Income Representation



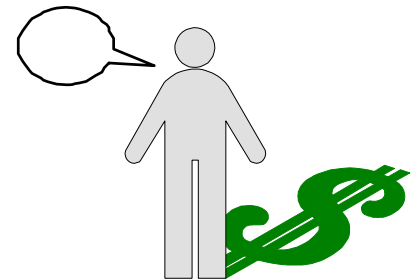
- Three ways to meet the 1/3 minimum requirement:
 - ◆ Residents of low-income neighborhoods in the community
 - ◆ Low-income residents of the community
 - ◆ Elected representatives of low-income neighborhood organizations





Low-Income Input

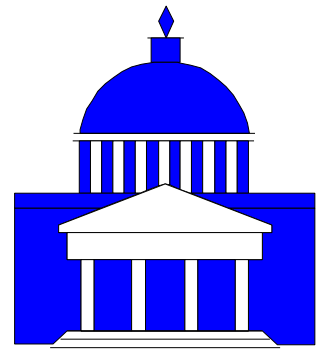
- CHDO must also provide formal process for low-income beneficiaries to provide input
 - ◆ Must be described in writing
 - ◆ Must be in by-laws or resolution
- Ways to achieve this:
 - ◆ Special committees or neighborhood advisory councils
 - ◆ Open town meetings



Public-Sector Representatives



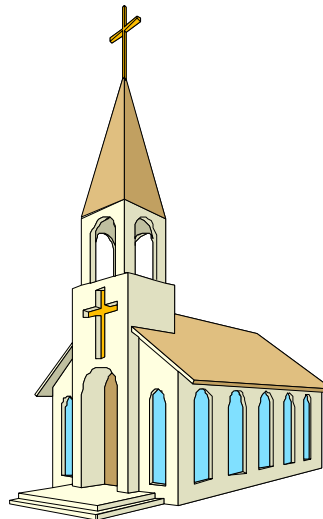
- Public sector representatives include:
 - ◆ Elected officials
 - ◆ Appointed officials
 - ◆ Public employees
 - ◆ Persons appointed by a public official
- Low-income public officials count against the 1/3 public sector max



CHDO Spin-Offs (I)



- Religious entities can sponsor a CHDO
 - ◆ Must be secular organization
 - ◆ Religious entity may not control organization
 - ◆ Housing must be for secular purposes



CHDO Spin-Offs (II)



- For-profit entities can sponsor a CHDO:
 - ◆ Cannot be controlled by the for-profit
 - ◆ Primary purpose of for-profit cannot be housing ownership/management
 - ◆ For-profit reps cannot be more than 1/3 of board
 - ◆ CHDO must be free to contract for goods/services from any vendor

Capacity and Experience



- Organization must:
 - ◆ Have at least ONE YEAR of experience serving the community
 - ◆ Demonstrate staff capacity to carry out planned activities
 - ◆ Have financial accountability standards
- Capacity must be relevant to type of CHDO activity to be undertaken

CHDO Designation



- Don't make these mistakes
 - ◆ No geographic boundaries
 - ◆ Have applied for IRS tax-exempt status but haven't received IRS letter
 - ◆ Re-designation not done each year and board has changed
 - ◆ CHDO designation from neighboring jurisdictions used
 - ◆ CHDO doesn't have capacity

Uses of HOME Funds



- Eligible uses of CHDO set-aside funds:
 - ◆ Acquisition and/or rehab of rental or homebuyer housing
 - ◆ New construction (rental or homebuyer)
 - ◆ Direct financial assistance to:
 - buyers of HOME-assisted units
 - sponsored/developed by CHDO

Uses of HOME Funds II



- Ineligible use of set-aside funds:
 - ◆ Tenant-based rental assistance
 - ◆ Homeowner rehab
 - ◆ “Brokering” or other real estate transaction

CHDO Roles



- To count towards the CHDO set-aside, CHDO must act as:
 - ◆ Owner
 - ◆ Developer OR
 - ◆ Sponsor

CHDO as Owner

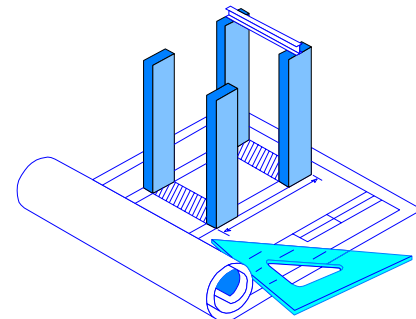


- As owner, CHDO:
 - ◆ Holds valid legal title OR
 - ◆ Has long-term leasehold interest
- CHDO may be an owner in partnership
 - ◆ Must have effective control
- CHDO may be both owner and developer of its own project

Developer



- CHDO owns property OR has contractual obligation to property owner to:
 - ◆ Obtain financing AND
 - ◆ Rehabilitate or construct
- If rental, may also manage project
- If homeownership, CHDO transfers property to homebuyer



Sponsor



- As sponsor of rental housing,
 - ◆ Develops a project that it solely or partially owns
 - ◆ Conveys ownership to a second non-profit
- As sponsor of a homebuyer project,
 - ◆ Owns property and shifts responsibility to second non-profit
 - ◆ Second non-profit transfers title and obligations to homebuyers



CHDO vs. Subrecipients

- CHDOs may take on the role of subrecipient
 - ◆ Not a CHDO set-aside activity
 - ◆ May not receive HOME funds for a project through the subrecipient activity
 - ◆ May get access to PJ's admin \$\$

Special Assistance

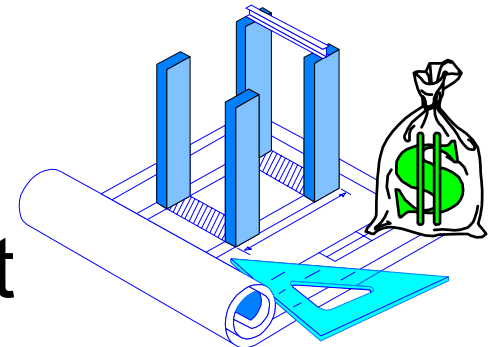


- PJs may provide special forms of assistance to CHDOs
 - ◆ Project pre-development loans
 - ◆ Operating assistance
 - ◆ Use of HOME project proceeds
 - ◆ Capacity-building assistance

Pre-Development Funds



- Access to up-front money
- Costs must be
 - ◆ related to specific project
 - ◆ for HOME eligible activities
- Uses and costs must be customary and reasonable
- Up to 10% of set-aside
- Not limited to 10% of a project



Types of Pre-Development Loans



- Technical assistance and site control loans
 - ◆ Used to establish preliminary feasibility prior to site control
 - ◆ Do not require environmental clearance
- Seed money loans
 - ◆ Cover pre-construction costs
 - ◆ Must have site control



Restrictions on Pre-Development Loans



- Funds must be provided as a loan
 - ◆ CHDO must repay from construction loan proceeds or other income
 - ◆ PJ may waive repayment if:
 - There are impediments to project development beyond the CHDO's control
 - Project deemed infeasible

CHDO Operating Assistance



- Up to 5% of PJ's HOME allocation may be used for CHDO operating

- Eligible uses:
 - ◆ Organizational support
 - ◆ Housing education
 - ◆ Admin expenses
 - ◆ Operating expenses

Limitations on Operating Assistance



- Assistance may NOT exceed:
 - ◆ \$50,000 each fiscal year OR
 - ◆ 50% of CHDO's total annual operating expenses for that year

WHICHEVER IS GREATER!

- Admin funds to CHDOs acting as subrecipients do NOT count towards cap



Project Proceeds

- PJs may allow CHDO to retain some or all proceeds from a HOME project
- Proceeds might be:
 - ◆ Proceeds from permanent financing
 - ◆ Interest on HOME loans
- Proceeds are NOT considered program income



Use of Project Proceeds

- Use of proceeds must be for:
 - ◆ HOME-eligible activities OR
 - ◆ Other low-income housing activities
- Written agreement with CHDO must include:
 - ◆ Whether CHDO will retain any proceeds
 - ◆ The specific use of proceeds

Capacity-Building Assistance



- Only applies to PJs in first 2 years of participation in the HOME Program!
- HOME funds can be used for CHDO capacity building
 - ◆ Up to 20% of CHDO set-aside
 - ◆ Total cannot exceed \$150,000
 - ◆ Use for intermediary organizations, training and TA or operating expenses

Selecting CHDOs



- Identify potential organizations
 - ◆ Hold information sessions
 - ◆ Provide information to groups
- Determine eligibility and basic capacity
 - ◆ Use the CHDO checklist
- Assess additional needed capacity
 - ◆ Organizational issues
 - ◆ Experience
 - ◆ Financial management

Building Eligibility and Capacity



- Eligibility Issues —————→ “Fix It”
- Building capacity requires more
 - ◆ Good business planning
 - ◆ Sufficient capital
 - ◆ Keen marketing/customer knowledge
 - ◆ Technical expertise
 - ◆ Strong leadership and staffing

Creating New CHDOs

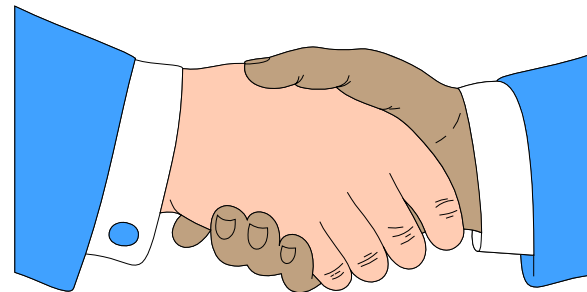


- Create new CHDOs when:
 - ◆ No CHDOs exist
 - ◆ Potential groups don't want to change structure or to work on bricks-and-mortar
 - ◆ Qualified groups don't have sufficient capacity
- PJs must avoid controlling organizations they charter

Building Long-Term Relationships



- Plan ahead and take a multi-year approach
- Build successful partnerships
- Continuously build the capacity of the “system”
- Create a network





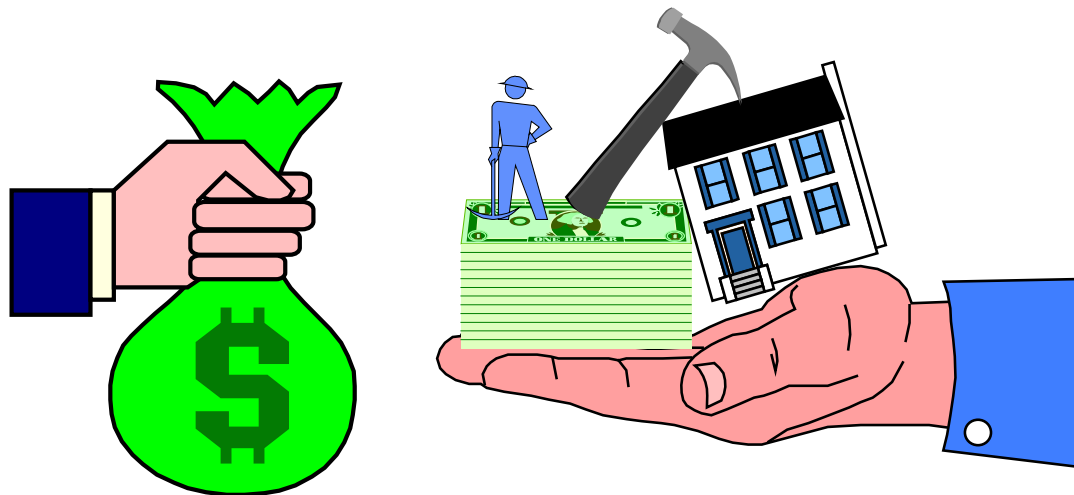
BUILDING HOME

Match



Match

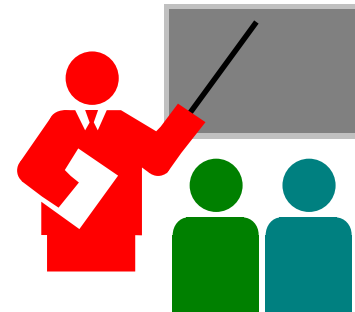
- This chapter covers:
 - ◆ Basic facts about match
 - ◆ Eligible and ineligible forms of match
 - ◆ How to meet the match obligation





Match Basics

- PJs must match 25% of HOME funds drawn down for project costs
 - ◆ Match must be a *permanent contribution* to the HOME Program
- Match liability must be satisfied by end of federal fiscal year





Match Requirements

- No match required for:
 - ◆ FY 1992 funds
 - ◆ Admin and planning costs
 - ◆ Funds to CHDOs for:
 - Operating expenses
 - Capacity building
 - Pre-development loans for projects that don't go forward
 - ◆ Shortfall funds

Eligible Sources of Match



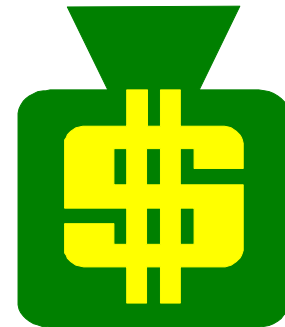
- Cash or “cash equivalents”
- Value of waived taxes (HOME projects only), fees or charges
- Value of donated land/real property
- Cost of infrastructure improvements related to HOME projects
- Percentage of proceeds of housing bonds



Eligible Sources of Match



- Value of donated materials and labor
- Sweat equity
- Direct costs of supportive services to residents of HOME projects
- Direct costs of homebuyer counseling to HOME-assisted households



Cash and Cash Equivalents



- Cash must be:
 - ◆ From a non-federal source
 - ◆ Permanent contribution
- Cash equivalents means the value of grants and below-market interest rate loans
 - ◆ Match notice includes guidance on calculations



Forbearance of Fees

- Two kinds of waived fees may be counted as match:
 - ◆ State and local taxes, fees and charges
 - Only on HOME-assisted projects
 - Value of foregone real estate taxes must be based on after-rehab value
 - ◆ Other charges and fees
 - Fees associated with property transfer or development

Donated Land/Real Property



- Can be donated or sold at below-market value
- Can be for a HOME-assisted or HOME-eligible
- Property acquired with non-federal funds counted at 100% of its value
- Match credited when ownership is transferred

Property Acquired with Federal Funds



- To get match credit:
 - ◆ Property must have been acquired for HOME-assisted or HOME-eligible project
 - ◆ Property must have been acquired at or below the appraised value
 - ◆ Seller must acknowledge the sale at or below market value as a donation to HOME
- Amount of credit varies according to different circumstances

Infrastructure



- To get credit, infrastructure must be:
 - ◆ Directly facilitate the occupancy of HOME-assisted project
 - ◆ Completed with the HOME project or within 12 months prior to HOME funding commitment
 - ◆ Paid for with non-federal funds
- In HOME and non-HOME housing, investment must be prorated

Infrastructure



- Investment in infrastructure credited:
 - ◆ When funds are expended OR
 - ◆ If improvements made prior to HOME commitment, when HOME funds are committed
- HOME projects only

Housing Bond Proceeds



- No more than 25% of a PJ's total match obligation can be met through loans made with bond proceeds
- To be eligible, proceeds must be provided to either HOME-assisted or HOME-eligible units



Housing Bond Proceeds



- Limitations on the amount of match credit that can be counted:
 - ◆ 50% of loans to multi-family projects
 - ◆ 25% of loans to single family projects
- Loans from bond proceeds credited at loan closing



Donated Labor, Services, Equipment and Materials



- To count donated material, PJs must use normal cost estimating procedures to determine value
- To get credit for donated or reduced-rate equipment,
 - ◆ Calculate normal rental rate
 - ◆ Document with letter from equipment owner



Donated Labor, Services, Equipment and Materials



- For donated or reduced-rate labor or services,
 - ◆ HUD publishes rates for donated unskilled labor
 - ◆ Skilled labor valued at rate normally charged for the service
- Donations credited at time they are used/contributed to the project



Sweat Equity



- Must be contributed as part of an established program of the PJ
 - ◆ Calculate at rate of unskilled labor (provided by HUD)
- Can be contributed up until project completion report submitted

Supportive Services



- Services must be provided to residents of HOME-assisted units
- Services must be:
 - ◆ Paid for with non-federal funds
 - ◆ Provided during affordability period
 - ◆ Necessary for independent living OR required in self-sufficiency program
- Match credited when services are provided

Homebuyer Counseling



- Value of counseling credited only for HOME-assisted homebuyer families
- Ongoing counseling during the affordability period is eligible as match
- Match credited when counseling provided





Ineligible Match Sources

- Contributions from federal sources
- Interest rate subsidy from tax-exempt financing or tax credits
- Owner equity/investment in a project (except sweat equity)
- Cash/contributions from applicants or recipients
- PJ's administrative cost
- Match for any other federal program

Meeting the Match Obligation



- Plan ahead
- Consider timing
- Be creative
- Set up a system
- Have a long-term strategy



BUILDING HOME

Monitoring, Record-keeping and Reporting



Monitoring Function

- Monitoring fosters:
 - ◆ Production/accountability
 - ◆ Compliance with requirements
 - ◆ Responsiveness to community needs
 - ◆ Effective use of resources
 - ◆ Good organizational performance

Who Gets Monitored



- PJ
- CHDO
- Subrecipient
- Developers
- Contractors

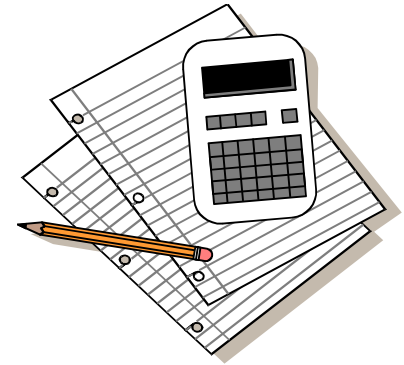


Annual Monitoring Plan



■ Address:

- ◆ Monitoring objectives
- ◆ Basic monitoring elements
- ◆ Staff and schedule
- ◆ Areas for in-depth monitoring
- ◆ Follow-up activities
- ◆ Coordination among key groups



Steps in Developing Plan



- Identify monitoring objectives
- Develop monitoring strategy
- Use risk factors to set priorities
- Assign staff and develop schedule
- Perform reviews
- Implement follow-up

Implementation



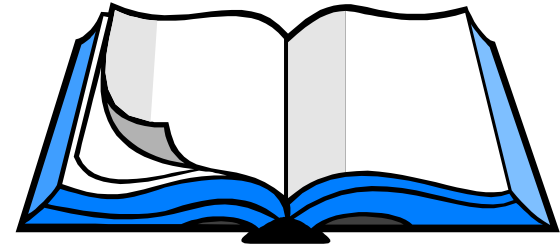
- Options for staffing:
 - ◆ Institutionalize
 - ◆ Collaborate
 - ◆ Contract out



Policies and Procedures



- Develop monitoring policies, procedures, guides
- Include sample:
 - ◆ Form letters
 - ◆ Checklists
 - ◆ Job descriptions



Levels of Monitoring



- HUD review of PJs
 - ◆ Annual review
 - ◆ If issues, may result in concerns or findings
 - ◆ If problems not resolved, sanctions may be imposed



Levels of Monitoring II

- PJ monitoring of its programs and administration
 - ◆ Consistency with Con Plan
 - ◆ Commitment and expenditure of funds
 - ◆ Match
 - ◆ Compliance in program design/implementation with HOME rules
- Must monitor subrecipient programs



Levels of Monitoring III

- Project monitoring
 - ◆ Project meets requirements
 - ◆ Needed regardless of type of project or entity
- Beneficiary monitoring
 - ◆ Make sure families meet income and occupancy requirements



Risk Analysis

- Determine risk factors
- Assign weight to risk factors
- Determine rating by factor
- Compile all scores
- Rank organizations



Desk Reviews

- First step
- Examine reports and financial information
- Gather additional information as needed



On-Site Basics



- Collect info to:
 - ◆ Assess performance
 - ◆ Assess compliance
 - ◆ Determine adequacy of records

On-Site Step 1



- Prepare for visit by reviewing:
 - ◆ Application
 - ◆ Reports
 - ◆ Draw downs
 - ◆ IDIS reports
 - ◆ Previous monitoring
 - ◆ Audits

On-Site Step 2



- Conduct visit:
 - ◆ Notify funding recipient of visit
 - ◆ Conduct entrance conference
 - ◆ Gather data
 - ◆ Document
 - ◆ Exit conference



On-Site Step 3



- After visit, conduct PJ staff meeting
 - ◆ Review findings
 - ◆ Determine course of action
 - ◆ Assign tasks

On-Site Step 4



- Provide follow-up letter
 - ◆ Issue promptly
 - ◆ Results of the review
 - ◆ Required tasks
 - ◆ Consequences of inaction
 - ◆ TA or other available assistance
 - ◆ Send to CEO

Intervention



- Happens when funding recipient does not make corrective action
- Written agreements are the backbone for this
- Intervention stages:
 - ◆ Stage 1: low level
 - ◆ Stage 2: moderate
 - ◆ Stage 3: high

Outreach to Recipients



- Important to share information with funding recipients
- Consult with HUD for sample materials
- Conduct training sessions and orientations
- Provide TA



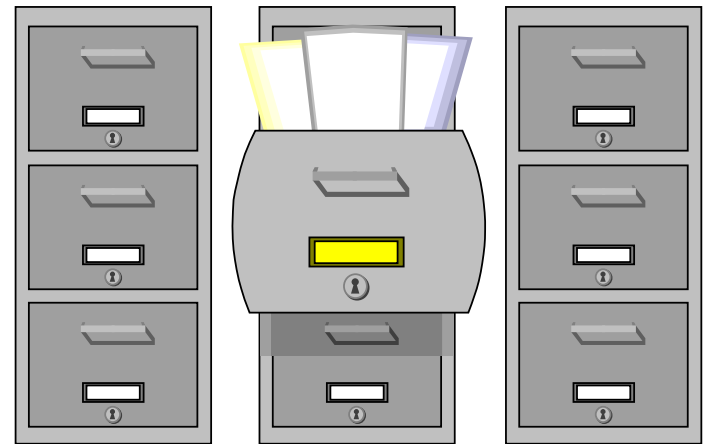
Records



■ Types:

- ◆ Program
- ◆ Project
- ◆ CHDO
- ◆ Financial
- ◆ Program admin
- ◆ Other federal

■ Keep 5 years



Reporting



- Submit CAPER annually
- Contains:
 - ◆ Accomplishments
 - ◆ Status of actions to implement strategy